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FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 6875
INFO RUEHOS/AMCONSUL LAGOS 1856
RUEHSA/AMCONSUL JOHANNESBURG 0084
RUEHZK/ECOWAS COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L ABUJA 001562

SENSITIVE
SIPDIS

DEPT PASS AID AFR/SD FOR CURTIS, ATWOOD AND SCHLAGENHAUF
DEPT PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER AND KJACKSON
DEPT PASS TO USTR-AGAMA
JOHANNESBURG FOR NAGY
TREASURY FOR PETERS AND IERONIMO
DOC FOR 3317/ITA/OA/BURRESS AND 3130/USFC/OIO/ANESA/REED

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [ENRG](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: CBN GOVERNOR DETERMINED TO PURSUE REFORM

REF: A. ABUJA 1497
[1](#)B. ABUJA 1290 pursue
[1](#)C. ABUJA 1190

Classified By: Charge de Affairs Dundas C. McCullough for reasons
1.4. (b & d).

[1](#)1. (C) SUMMARY. A visibly tired CBN Governor stressed to us that he and his team are working around the clock to clean up the banking sector. He affirmed his desire to pursue criminal cases against high profile defaulters, such as former Delta State Governor James Ibori, and that he enjoys the full support of President Yar'Adua. He praised the EFCC and the NDIC for supporting his reform and accountability efforts. END SUMMARY.

CBN DETERMINED TO GO WHERE THE EVIDENCE LEADS

[1](#)2. (C) On August 24, CBN Governor Sanusi told CDA and acting econcouns (note-taker) that the removal of the managing directors of five banks (ref A) was based on the findings of CBN audit reports which revealed up to 40% non-performing loans (NPL) due to unethical banking practices. He said that the report for each bank was vetted by senior CBN and Nigerian Deposit Insurance Corporation (NDIC) executives and approved jointly by him and the Managing Director of the NDIC. He faulted the MDs for running the banks in unethical and illegal manner contrary to the interests of investors, the industry, and the economy. He pointed to cases where MDs set up and extended loans to companies affiliated to themselves, engaged in share price manipulations, extended loans improperly to highly connected politicians, granted loans despite disapproval by governing boards, and exceeded CBN single debtor limits.

THE CBN WOULD LIKE TO BUILD A CASE AGAINST JAMES IBORI

[1](#)3. (C) Responding to the CDA's interest at the high-profile names on the CBN's defaulters list, Sanusi said that he reports to and has the full backing of President Yar'Adua. He asserted his confidence in the judicial system to bring the malefactors to justice but added this did not extend to the Attorney General, which is why he wants to see special prosecutors brought in to investigate and prosecute these cases. Sanusi reported that in each affected bank he currently has a team composed of staff from the CBN, EFCC, NDIC, the police, and the CID building cases against the fired MDs and their associates. He will also soon be deploying KPMG and Deloitte Touche forensic accountants to help in the investigations.

[1](#)4. (C) Sanusi expressed determination to pursue cases wherever the

evidence leads, particularly against James Ibori, the former Governor of Delta State, for using his official position to secure a 44 billion naira loan from Intercontinental Bank. Sanusi, however, indicated difficulty in finding actual documentation linking Ibori personally to the improper loans.

CBN'S MEASURES EXCELLENT FOR THE ECONOMY

15. (C) Sanusi repeated several times that his actions are good for the overall economy. He dismissed concerns the naira might be pressured, pointing to Nigeria's improved foreign exchange reserves owing to increased oil production and revenue in July and August, low inflation rate (11%), lowering of interbank rate from 21% to 10%, and an expected GDP growth of greater than 5%. He said that the CBN injected over 400 billion naira (around \$2.6 billion) into the ailing five banks without excess strain on the government's budget. Sanusi claimed, as a sign of confidence in his actions, that international banks have already expressed interest in entering the Nigerian banking sector.

16. (C) Comment: Sanusi was clearly exhausted but seemed on top of his game and determined to clean up the banking sector. END COMMENTS.

17. 10. (U) This report was coordinated with Consulate Lagos.